

## Message Text

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TO SECSTATE WASHDC 1010

USDOC WASHDC

C O N F I D E N T I A L BRUSSELS 3846

USDOC FOR STRAUSS LEON

E.O. 11652 GDS

TAGS: MASS, NATO, BE

SUBJECT: BELGIAN PURCHASE OF LANCE

REF: (A) SECDEF LTR, 10 MAY 73 TO BELGIAN MOD;

(B) DSAA, MEMO OF CONVERSATION, 27 APR 73/1000-1400;

(C) GRANT/LEON TELCON MAY 22

1. SUMMARY: AT A MEETING CALLED BY BOLAND, BELGIAN ECONMIN THE EMBASSY WAS INFORMED THAT BELGIAN COUNCIL OF MINISTERS HAD APPROVED PURCHASE OF LANCE CONTINGENT UPON CONCLUSION OF ECONOMIC COMPENSATION AGREEMENT. END SUMMARY.

2. A MEETING MAY 22 WITH BELGIAN MINISTRY OF ECON AFFAIRS (J. BOLAND), BELGIAN MOD CABINET (COL. DURENNE), COMMERCIAL ATTACHE (GRANT), AND MAAG (COL. GREEN) WAS HELD AT BOLAND'S REQUEST TO INFORM EMBASSY THAT THE BELGIAN COUNCIL OF MINISTERS HAD APPROVED THE PURCHASE OF LANCE CONTINGENT UPON COMPLETION OF AN ECONOMIC COMPENSATION AGREEMENT. BASED ON \$20 MIL PURCHASE OF LANCE SYSTEM, GOB PLANS TO CREDIT \$15 MIL AGAINST THE \$15 MIL DEFICIT IN BELGIAN-US BURDENSARING, LEAVING \$5 MIL TO BE COVERED BY ECONOMIC COMPENSATION. BOLAND EXPLAINED THAT THE COUNCIL OF MINISTERS' DECISION PRECLUDED SIGNATURE ON LANCE PURCHASE PRIOR TO COMPLETION OF A COMPENSATION AGREEMENT.

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3. BOLAND EXPLAINED BELGIAN PRIORITIES FOR ECONOMIC

COMPENSATION AS FOLLOWS: FIRST -- COPRODUCTION; SECOND-- DIRECT COMPENSATION, I.E. SOME COMPONENTS FOR SYSTEM PURCHASED IN BELGIUM; THIRD--INDIRECT COMPENSATION, I.E. PURCHASE OF OTHER PRODUCTS OR SERVICES NOT RELATED TO LANCE. COMPENSATION MUST INVOLVE THE SAME RELATIVE DEGREE OF TECHNOLOGY EVEN THOUGH MATERIEL INVOLVED MAY NOT BE DIRECTLY RELATED TO THAT SYSTEM. HE REALIZES THAT CO-PRODUCTION ON LANCE IS NOT FEASIBLE BUT FEELS THAT COMPENSATION FOR SYSTEM COMPONENTS (DIRECT) OR OTHER MATERIEL (INDIRECT) IS NECESSARY TO SATISFY MINISTERIAL COUNCIL AND LEGAL REQUIREMENTS. REFERENCE WAS MADE TO MATERIEL PURCHASES OVER THE LAST 10 YEARS BY THE BELGIAN SUPPLY OFFICE, WASHINGTON (SOW) IN THE AMOUNT OF 5 BILLION BF FOR WHICH NO COMPENSATION WAS REQUESTED. HE FURTHER STATED THAT THERE WERE SEVERAL AREAS (OUTSIDE THE LANCE SYSTEM) WHICH WERE GOOD POSSIBILITIES FOR AN AGREEMENT. THESE INCLUDE A REQUEST FOR A EUROPEAN LICENSE TO PRODUCE 106MM RR AND AMMUNITION; SALE OF THE BELGIAN COBELDA LASER TANK FIRE CONTROL SYSTEM TO ISRAEL AND ITALY; AND REPORTED USMC INTEREST IN THE STEERING CONTROL MECHANISM FOR THE BELGIAN "EPERVIER" RECONNAISSANCE DRONE.

4. BOLAND HAS DISCUSSED MUCH OF THE FOREGOING WITH MR. STRAUSS LEON, USDOC, DURING LATTER'S VISITS TO BELGIUM. BOLAND FEELS THAT COMPLETION OF AN ECONOMIC COMPENSATION AGREEMENT FOR LANCE WOULD PROVE "BENEFICIAL" TO FUTURE BELGIAN-US RELATIONS. WE INFER THIS TO INCLUDE F-104 REPLACEMENT. BECAUSE OF THE IMPORTANCE OF THIS SALE AND THE INFLUENCE IT MAY HAVE ON FUTURE MILITARY SALES TO GOB THE EMBASSY RECOMMENDS EVERY EFFORT BE MADE TO WORK OUT SATISFACTORY ECONOMIC COMPENSATION PACKAGE IN COORDINATION WITH DSAA. BOOCHEVER

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